

REC'D  
MAR 24 1992

WISCONSIN EMPLOYMENT  
RELATIONS COMMISSION

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In the Matter of the Petition of

TEAMSTERS LOCAL UNION NO. 579

To Initiate Arbitration Between Said Petitioner

-and

Decision No. 26979-A

GREEN COUNTY (HIGHWAY DEPARTMENT)

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Appearances - John J. Brennan, Attorney at Law, For the Union  
Howard Goldberg, Attorney at Law, For the Employer

Teamsters Local Union No. 579, hereinafter referred to as the Union, filed a Petition with the Wisconsin Employment Relations Commission, hereinafter referred to as the Commission, alleging that an impasse existed between it and Green County (Highway Department), hereinafter referred to as the Employer, in their collective bargaining. It requested the Commission to initiate arbitration pursuant to Section 111.70(4)(cm)6 of the Municipal Employment Relations Act. A member of the Commission's staff conducted an investigation in the matter.

At all times material herein the Union has been and is the exclusive collective bargaining representative of certain employees of the Employer in a collective bargaining unit consisting of all employees of the Employer excluding office clerical employees, guards and professional employees. The Union and the Employer have been parties to a collective bargaining agreement covering wages, hours and working conditions of the employees in the unit that expired on June 30, 1990. On May 15, 1990 the parties exchanged their initial proposals on matters to be included in a new collective bargaining agreement. Thereafter the parties met on three occasions in efforts to reach an accord on a new collective bargaining agreement. On August 19, 1990 the parties participated in a mediation meeting with a member of the Commission's staff.

On October 1, 1990 the Union filed the instant petition requesting arbitration. On various dates a member of the Commission's staff conducted an investigation which reflected that the parties were deadlocked in their negotiations. By August 5, 1991 the parties submitted their final offers to the Commission and the investigation was closed. The Commission concluded that an impasse existed within the meaning of the Municipal Employment Relations Act with respect to negotiations leading toward a new collective bargaining agreement. It ordered that arbitration be initiated for the purpose of issuing a final and binding award to resolve the impasse and directed the parties to select an arbitrator within 10 days from the panel of arbitrators submitted to them.

Upon being advised that the parties had selected Zel S. Rice II as the arbitrator, it issued an order on September 17, 1991 appointing him as the arbitrator to issue a final and binding award to resolve the impasse by selecting either the total final offer of the Union or the total final offer of the Employer.

The only two issues remaining between the parties involve wages and health insurance. The parties have reached agreement on all other issues contained in their final offers.

The Union's final offer, attached hereto and marked Exhibit 1, proposes that effective July 1, 1990 each classification would be increased by 4 percent. Effective July 1, 1991 each classification would be increased by 5 percent. The Union proposes that the Employer pay 100 percent of the health insurance premium for all full time employees effective October 1, 1990. The Employer's final offer, attached hereto and marked Exhibit 2, proposes that effective July 1, 1990 all wages be increased by 4.25 percent across the board. Effective July 1, 1991 all wages would be increased by 6 percent across the board. The Employer makes no proposal with respect to payment of the insurance premiums and it would continue the provision in the last collective bargaining agreement that required the Employer to pay 90 percent of the health insurance premium and the members of the bargaining unit would pay 10 percent.

The parties began bargaining for this contract prior to the expiration of the old agreement. During that time the Employer requested that the Union agree to change over to a new health insurance plan effective October 1, 1990 which was the date that the new plan was implemented for other employees. The Union did not agree and eventually the parties mutually agreed to put bargaining on hold pending the determination of an interest arbitration between the Employer and the Union representing its law enforcement employees.

The prior insurance plan was an HMP which was self-funded and administered by WPS. Premiums for the plan skyrocketed and the Employer proposed to change over to a plan that would have some first dollar deductibles on all claims. The new plan would reduce the premium for family coverage by \$480.00 per year, but it would require employees to pay a \$150.00 deductible for each member of the family up to a maximum of 3 for a total of \$450.00. It would require the employees to pay a larger portion of their health care costs out of their own pockets. As an appropriate quid pro quo the Employer offered to increase the wages of the bargaining unit by 4.25 percent the first year and 6.00 percent the second year.

Under the prior labor agreement the Employer paid 90 percent of the monthly premium for full time employees and the employees paid 10 percent. The Union proposes to eliminate the 10 percent employee contribution and require the employee to pay all of the full time employee premium for the new plan.

The Employer has funded a portion of the health insurance and purchased stop

loss insurance for any large claims. It did not set a premium based on anticipated future claims but rather has set the premium based on the cost actually incurred in the past. Because of rising health care costs the amount set for premiums has been too low for the last few years. As a result the Employer has had to transfer funds from its general fund into an insurance account to meet those shortfalls. Since July of 1988 the Employer has been forced to pay an additional \$300,000.00 over and above its premium contribution in order to keep the fund solvent. The \$300,000.00 was attributable to all of its employees and not just this bargaining unit. While the employees paid 10 percent of the insurance premium, they were not required to pay any part of the additional \$300,000.00 that the Employer had to add to its insurance fund.

The Employer's premium rates have increased substantially since 1980. In January of 1980 the premium for single coverage was \$36.08 per month and for family coverage it was \$111.79. By December of 1991 the premium rate for single coverage for this bargaining unit under the old plan would have been \$170.00 per month and \$440.00 per month for family coverage. As was pointed out earlier, since 1988 the Employer has contributed additional amounts over and above the premium to keep the fund solvent.

#### UNION'S POSITION

The Union argues that the cost of the Employer's health insurance proposal is greater than the wage increase it proposes over and above the Union's wage proposal. It takes the position that the difference between the wage increases offered by the Employer as compared to its final offer is too marginal to make up for the employees increased cost. The Union asserts that the Employer's wage proposal is only marginally more beneficial to the employees than its proposal. It contends that its final offer includes a true quid pro quo for the concessions that the employees made when they accepted the new insurance plan. The Union argues that although the Employer's wages compare favorably with those paid by the comparable group, the benefits as a whole are not as good.

#### EMPLOYER'S POSITION

The Employer argues that it changed its insurance plan to put some limits on the skyrocketing cost of health insurance. It contends that even if each person maximized his or her deductible each year, the total premium savings are higher than the total amount of the maximum possible deductibles. The Employer asserts that the Union's final offer would have the effect of increasing its costs by more than the amount of savings that will be realized by implementing the new insurance plan. It points out that the past practice has been for the employees to pay 10 percent of the health insurance premium and all of its other employees have reached agreement on new contracts that require them to continue doing that. The Employer argues that the Union's proposal would be a retreat from the current trend of cost sharing of health insurance premiums

and a departure from the provisions in the collective bargaining agreements of all internal comparables with respect to health insurance. It contends that its wage proposal of a 4.25 percent increase the first year and a 6 percent increase the second year is far superior to the Union's proposal of a 4 percent wage increase the first year and 5 percent the second year. The Employer asserts that its wage proposals are higher than those being paid to employees in similar classifications in the comparable groups. It points out that all of the other internal comparables received the same wage increase over a two year period that it proposes to the Union.

#### DISCUSSION

The arbitrator is faced with the choice of selecting the final offer of the Employer, which provides a higher wage increase but requires the employees to pay 10 percent of the health insurance premium, as opposed to the Union's proposal, which provides a lower wage increase and would require the Employer to pay 100 percent of the health insurance premium.

If the sole dispute were the amount of the wage increase to become effective July 1, 1990 and July 1, 1991, the Employer's offer is more favorable to the employees in the bargaining unit than that of the Union because it provides them with an increase that is  $1\frac{1}{4}$  percent more than that proposed by the Union over the two years of the agreement. There is still the question of whether the Employer's offer is sufficient to offset the disadvantage to the employees in the bargaining unit resulting from the deductibles required by the new health insurance program that has been agreed to by the parties.

During the period from July 1, 1989 to June 30, 1990 the family health insurance premium for the old non-deductible HMP plan increased from \$316.67 per month for family coverage to \$383.34. The single premium increased during that period from \$126.67 to \$152.50. On July 1, 1991 the family premium for the non-deductible HMP plan increased to \$394.17 per month and the single premium increased to \$156.25 per month. The deductible plan to which the parties have agreed and which became effective October 1, 1990 requires a family premium of \$350.00 per month as of July 1, 1990 and a single premium of \$140.00 per month. On July 1, 1991 the family premium on the new plan increased to \$373.34 per month and the single premium increased to \$148.75 per month. Additional increases were scheduled for December 31, 1991. It is clear that the Employer needed a method for cost control of health insurance. The new insurance program to which the parties have agreed institutes a deductible of \$150.00 for each individual up to a maximum \$450.00 for family coverage each year. It creates a more favorable premium relationship by reducing the cost of the insurance coverage to the Employer and contains and reduces the spiraling cost of furnishing health insurance to employees in the bargaining unit.

The real issue to be determined is whether the superior wage offer of the Employer is sufficient to justify continuation of the old 10 percent premium

contribution by the employees as well as the Union's agreement to the institution of deductibles.

The prior insurance plan was an HMP plan which was self-funded. Premiums for the plan had sky rocketed and the Employer and the Union agreed that in order to contain health insurance costs, the employees would have to pay deductible amounts out of their own pockets if there was to be a reduction in the amount of claims paid.

There are 40 employees in the bargaining unit and 35 have family coverage, 4 have single coverage and 1 has elected not to be covered under the plan. Implementation of the new insurance plan as of October 1, 1990 would result in a premium savings of \$21,000.00 for the 35 employees with family coverage over that 15 month period and \$900.00 for the 4 employees who had single coverage. This would produce a total premium savings of \$21,900.00. This savings does not take into account the additional money that the Employer transferred into its insurance account in the last half of 1991 to keep the account solvent. If that cash were considered, the reduction in the cost of the new insurance plan would be even greater than \$21,900.00. The new plan would provide for annual deductibles of \$150.00 for single coverage, \$300.00 for the family plan with two insured and up to \$450.00 for families with three or more insured. The maximum potential additional cost to the employees resulting from the change to the new plan with deductibles is \$14,250.00. Thus the total premium savings resulting from the new insurance plan are higher than the total amount of the maximum possible deductibles.

The Employer has offered a 4.25 percent wage increase the first year and a 6 percent wage increase the second year and the Union offered a 4 percent wage increase the first year and a 5 percent increase the second year. The Employer's wage proposals are higher than those being paid in the contiguous county highway departments. Wage increases in Columbia, Iowa, LaFayette and Sauk Counties for 1990 averaged 3.99 percent and for 1991 they were 4.38 percent. The Employer has offered these additional wages as an appropriate quid pro quo for the changes in the health insurance plan requiring the employees to pay up the deductibles. The wage increases are higher than normal because of the fact that the employees will bear some additional expense because of the deductibles.

Assuming that each employee maximizes the possible deductibles, the maximum amount of potential extra cost to the employees under the new plan is \$14,250.00 per year. Currently the Union is paying \$17,124.00 per calendar year toward the premiums. The additional wages being offered by the Employer over and above the average increases given to employees in the comparable counties, ought to sufficient to offset the additional cost the employees will have to pay because of the deductibles. The average of the highest wage being paid for laborers in the five counties selected by the Union as comparable (Jackson, Juneau, Vernon, Sauk and LaFayette) is \$9.44 per hour. The Employer proposes a wage that is \$.54 per hour in excess of the average wage being paid employees in a similar

job classification in the comparable group selected by the Union. That is a \$1,000.00 per year more than the average wage for the laborer classification in the comparable group and is a sufficient quid pro quo for the extra expenditures employees might have to pay if they utilize the maximum deductibles. The new plan will save the Employer \$12,843.00 in premium each year. The Union proposes that the Employer pick up the additional \$17,124.00 per year in premiums that had traditionally been paid by the employees. When the payment of the additional wages of more than \$1,000.00 per year for each employee over and above the average salary being paid employees in similar classifications in the comparable groups selected by the Union is considered, it is easy to see that the Union's proposal is no savings to the Employer at all.

The new insurance plan proposed by the Employer lowers its insurance costs without sacrificing any insurance coverage. The Employer's proposed additional wages over and above the average wage paid to employees in similar job classifications more than offsets any potential additional cost to the employee.

The internal comparables are a very important consideration for an arbitrator to consider in matters such as this. Wage increases should be quite similar for all of an Employer's bargaining units in the absence of some unusual circumstance. Uniform fringe benefits for all bargaining units are equally important in the absence of some unique circumstance. The Employer's agreements with all of its other bargaining units include the new insurance plan with the same deductibles that the Employer has agreed on with the Union. All of the other bargaining units have agreed to contribute 10 percent of the health insurance premium. Each of them has received a wage increase of 4.25 percent the first year of the agreement and 6 percent the second year of the agreement as a quid pro quo for accepting the new insurance plan with deductibles. The evidence discloses no unique circumstance that would justify departing from that pattern of wage increases and contributions towards the health insurance premium.

The Union argues that the cost of the Employer's health insurance proposal is greater than the wage increase it proposes over and above the Union's wage proposal. The Union bases this argument on the assumption that each individual covered by the policy will utilize the maximum deductible and that is not necessarily true. While it is possible that some employees will use the maximum deductible, it is quite likely that others will not. Each employee is going to receive more than \$1,000.00 per year in wages over and above the average paid for similar positions in the Union's proposed comparable group. That is more than a sufficient amount to pay the potential deductible to which each employee will be exposed. While the Union claims that the difference between the wage increases is too marginal to make up for the employee's increased cost, the arbitrator finds that the \$1,000.00 per year in wages is more than adequate to cover the maximum potential increased cost of a \$450.00 maximum deductible. The Union contends that its final offer offers a true quid pro quo for the concessions that the employees made when they accepted the new insurance plan. Actually the Union's proposal would not result in a reduction in the Employer's

insurance cost and it would provide the employees with a wage pattern well above that received by employees in comparable positions in the external comparable group selected by the Union. That is not much of a quid pro quo. It would also distort the relationship between the internal comparables of the Employer and depart from the pattern resulting from another arbitration between the Employer and one of its bargaining units.

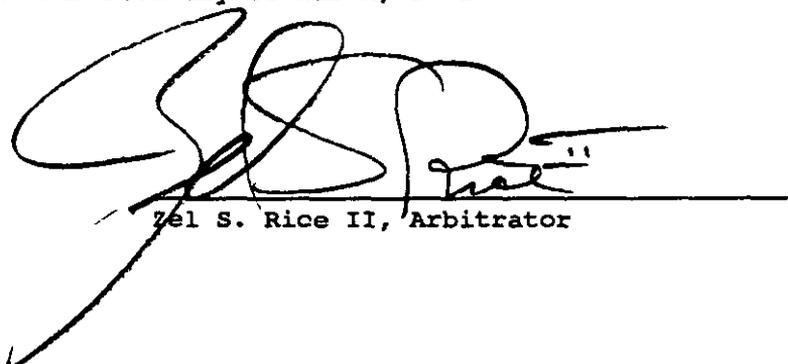
The record establishes the need for cost control measures for health insurance. The Employer's proposal addresses that need with the new insurance plan that will help reduce the spiraling cost of that coverage. It proposes a wage increase that is exactly the same as that given to all of its internal comparables and exceeds the average increase given to employees in the external comparable group selected by the Union by a sufficient amount to compensate the employees for any increase in their medical insurance costs resulting from the new plan.

It therefore follows from the above facts and discussion thereon that the undersigned renders the following

AWARD

After full consideration of the criteria set forth in the statutes and after careful and extensive evaluation of the testimony, arguments, exhibits and briefs of the parties the arbitrator finds that the Employer's final offer more closely adheres to the statutory criteria than that of the Union and directs that the Employer's proposal contained in Exhibit 2 be incorporated into the collective bargaining agreement as a resolution of this dispute.

Dated at Sparta, Wisconsin this 20th day of March, 1992.



Zel S. Rice II, Arbitrator

RECEIVED  
JUL 05 1991

WISCONSIN EMPLOYMENT  
RELATIONS COMMISSION

Name of Case: Green County (Highway Department) Case 107 No. 44618 Int/Arb-5785

The following, or the attachment hereto, constitutes our final offer for the purposes of arbitration pursuant to Section 111.70(4)(cm)6. of the Municipal Employment Relations Act. A copy of such final offer has been submitted to the other party involved in this proceeding, and the undersigned has received a copy of the final offer of the other party. Each page of the attachment hereto has been initialed by me. Further, we (do) (~~do not~~) authorize inclusion of nonresidents of Wisconsin on the arbitration panel to be submitted to the Commission.

June 27, 1991  
(Date)

Maurice Lewis  
(Representative)

On Behalf of: Teamsters Local Union No. 579

2214 Center Avenue, Janesville, WI

Exhibit 1

RECEIVED  
JUL 13 1991  
WISCONSIN CIVIL RIGHTS  
& LABOR COMMISSION

TEAMSTERS LOCAL UNION NO. 579  
FINAL OFFER  
TO  
GREEN COUNTY - HIGHWAY DEPARTMENT

1. Effective July 1, 1990, the Union proposes to increase all classifications by four (4%) percent.
2. Effective July 1, 1991, the Union proposes to increase all classifications by five (5%) percent.
3. Effective October 1, 1990<sup>1</sup>, the Union agrees to accept the new health insurance plan which would be the equivalent of the Care Share Plan presently in place for certain employees in the County which is currently being administered by PAS as follows:  
  
The new plan would have annual deductibles of \$150 for single coverage, two \$150 annual deductibles for those employees with family coverage with only two persons covered by the plan, and up to three \$150 annual deductibles for persons with family coverage who have three or more persons covered under the plan.  
  
Effective as of October 1, 1990, the plan would increase the co-pay provisions pertaining to prescribed items from \$2.00 to \$5.00.
4. The Union proposes that the County will pay 100% of the health insurance premium for all full-time employees effective October 1, 1990.
5. Implementation of tentative agreement of the parties.
6. All other provisions set forth in the contract shall remain the same to the extent not modified hereunder.

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<sup>1</sup> The benefits under the old plan (which is still in effect for these employees) would be essentially the same as the new plan. The new plan benefits will not go into effect until the first day of the month following the date of the interest arbitrator's decision. However, actual plan deductibles and co-pay amounts for prescribed items, subject to co-pay increases, can be calculated and implemented on a retroactive basis. It is the Union's proposal that such calculations be made as of October 1, 1990.

REC'D  
AUG 05 1991

WISCONSIN EMPLOYMENT  
RELATIONS COMMISSION

Name of Case: Green County (Highway Dept) & Teamsters Local 574

The following, or the attachment hereto, constitutes our final offer for the purposes of arbitration pursuant to Section 111.70(4)(cm)6. of the Municipal Employment Relations Act. A copy of such final offer has been submitted to the other party involved in this proceeding, and the undersigned has received a copy of the final offer of the other party. Each page of the attachment hereto has been initialed by me. Further, we ~~do~~ (do not) authorize inclusion of nonresidents of Wisconsin on the arbitration panel to be submitted to the Commission.

August 2, 1991  
(Date)

[Signature]  
(Representative)

On Behalf of: Green County

Green County (Highway Department)  
Final Offer

1. Effective July 1, 1990, the employer proposes to increase all wages by 4.25% across the board.
2. Effective July 1, 1991, the employer proposes to increase all wages by 6.0% across the board.
3. Effective as of October 1, 1990<sup>1</sup>, the employer proposes to implement a new health insurance plan which would be the equivalent of the Care Share plan presently in place for certain employees in the county which is currently being administered by PAS as follows:

The new plan would have annual deductibles of \$150 for single coverage, two \$150 annual deductibles for those employees with family coverage with only two persons covered by the plan, and up to three \$150 annual deductibles for persons with family coverage who have three or more persons covered under the plan.

Effective as of October 1, 1990, the plan would increase the co-pay provisions pertaining to prescribed items from \$2.00 to \$5.00

4. Implementation of tentative agreement of the parties.
5. All other provisions set forth in the contract shall remain the same to the extent not modified hereunder.

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<sup>1</sup>The plan benefits under the County's old insurance plan are essentially identical to the benefits under the proposed new plan. A document outlining the differences has been provided to the Union. The County is not able to implement any changes there might be between the new plan and the old on a retroactive basis, so the new plan benefits will not go into effect until the first day of the month following the date of the interest arbitrator's decision. However, the amounts of plan deductibles and co-pay amounts for prescribed items, can be calculated and implemented on a retroactive basis. It is the employer's proposal that such calculations be made retroactive to October 1, 1990.